Before the
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

In the Matter of	)	
	)	
Developing a Unified Intercarrier Compensation Regime	)	CC Docket No. 01-92
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	)	

REPLY COMMENTS OF THE INFORMATION TECHNOLOGY INDUSTRY COUNCIL

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SUMMARY

The Information Technology Industry Council ("ITI"), which represents the nation's leading information technology companies, supports comprehensive intercarrier compensation reform that replaces the existing, outdated compensation rules with a forward-looking approach that reflects the evolving communications and information technology marketplace. While ITI appreciates the hard work of those who crafted the Missoula Plan, we believe that the Plan is too rooted in the existing regulatory structure and urge the Commission to more aggressively reform intercarrier compensation. As the Commission goes forward with intercarrier compensation reform, ITI urges the Commission to ensure that it provides sufficient incentives for the continued development of innovative IP-based technologies and services by considering the following approaches.

- The Commission should transition toward a bill-and-keep approach. A bill-and-keep approach would be far more deregulatory, transparent, and competition-friendly, and would provide carriers with incentives to use more efficient technologies. Any shortfall in funding for rural carriers should be overcome via explicit universal service subsidies.
- The Commission should not repeal or modify the access charge exemption as it applies to providers of enhanced or information services. This exemption has been a key FCC policy responsible for the growth and vibrancy of the Internet, and doing away with the exemption would regulate previously unregulated entities, many of which lack the regulatory compliance resources typically possessed by carriers.
- If the Commission does not adopt a bill-and-keep approach or does not exclude VoIP traffic from any new intercarrier compensation approach, it should at minimum ensure that any new intercarrier compensation regulations apply only to providers of "interconnected VoIP." The

Commission has wisely differentiated between "interconnected" and "non-interconnected" VoIP in other contexts, and should continue with the same approach so as not to create a patchwork of regulatory requirements for VoIP.

- A reformed intercarrier compensation regime should not discriminate against new technologies such as VoIP by, for example, imposing a higher interim rate on VoIP traffic than on comparable traffic or imposing access charges only on traffic that originates from, and not traffic that terminates to, providers of "interconnected VoIP."

- Any approach to intercarrier compensation reform should be competitively and technologically neutral. Under no circumstances should terminating PSTN carriers be permitted to block allegedly "improperly" labeled traffic.

- The Commission should reject piecemeal efforts to address "phantom traffic" that would undermine comprehensive intercarrier compensation reform. The Missoula Plan's interim phantom traffic plan pre-judges issues relating to broader intercarrier compensation reform and should therefore be rejected.

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The Information Technology Industry Council ("ITI") represents the nation's leading information technology companies, including computer hardware and software, Internet services, and wireline and wireless networking companies.[1] ITI is the voice of the high tech community, advocating policies that advance U.S. leadership in technology and innovation, open access to new and emerging markets, support e-commerce expansion, protect consumer choice, and enhance global competition.

ITI supports efforts to reform the existing, outdated intercarrier compensation rules and to replace them with a comprehensive and forward-looking approach that reflects today's telecommunications reality and anticipates a telecommunications and information dissemination future that holds much promise for the United States. While ITI appreciates the hard work of those who crafted the Missoula Plan (hereinafter referred to as the "Missoula Plan" or

[1] For more information on ITI, including a list of its members, please visit http://www.itic.org/about.php.

"Plan"), ITI believes that the FCC should more aggressively reform intercarrier compensation. The proposed Plan is too rooted in the existing, outmoded carrier regulatory structure, and therefore does not sufficiently move the telecommunications industry toward a comprehensive approach that reflects the rapid technological changes that we have seen and, even more so, anticipate.

As an association whose members are at the forefront of delivering cutting edge communications technologies and services, including Voice over Internet Protocol ("VoIP") products, to the American public, we fear that the Plan's proposed intercarrier compensation scheme would adversely impact innovation. Rapid changes in the communications industry have made all of the disparate compensation and billing mechanisms obsolete. In light of this shift, the Commission should eliminate subsidies from all above-cost PSTN termination charges and move toward comprehensive reform of the current, broken system.

I. THE COMMISSION SHOULD TRANSITION TOWARD A BILL-AND-KEEP APPROACH TO INTERCARRIER COMPENSATION

ITI supports comprehensive intercarrier compensation reform. While ITI appreciates the efforts of the proponents of the Missoula Plan to tackle the complicated issue of intercarrier compensation reform, unfortunately, the Plan remains too deeply rooted in the existing regulatory regime. This fact is reflected in the extremely complicated and detailed nature of the Plan, which includes multiple "Tracks" and "Steps" — the description of which runs well over 100

pages. For this reason, ITI believes that the Missoula Plan as proposed does not represent a true, comprehensive approach to reform that appropriately reflects the technological changes in the telecommunications marketplace or provides sufficient incentives for the continued development of new IP-based technologies and services.

The Commission also should note that the Missoula Plan has been opposed by a majority of industry representatives representing a wide array of technologies and services,[2] as well as numerous state regulators.[3] In comparison,

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[2] *See, e.g.*, Comments of Verizon (Oct. 25, 2006); Comments of Verizon Wireless (Oct. 25, 2006); Comments of Qwest Communications International Inc. at 12-47 (Oct. 25, 2006) ("Qwest Comments"); Comments of CTIA — The Wireless Association (Oct. 25, 2006) ("CTIA Comments"); Comments of the National Cable & Telecommunications Association at 6-22 (Oct. 25, 2006); Comments of Sprint Nextel Corp. at 4-5 (Oct. 25, 2006) ("Sprint Nextel Comments"); Comments of T-Mobile USA, Inc. at 3-5 (Oct. 25, 2006) ("T-Mobile Comments"); Comments of COMPTEL (Oct. 25, 2006); Comments of Time Warner Telecom Inc., Cbeyond, Inc., and Xspedius Communications, LLC at 2 (Oct. 25, 2006); Comments of United States Cellular Corp. at 6-16 (Oct. 25, 2006) ("USCC Comments"); Comments of Alltel Communications Inc. and SunCom Wireless, Inc. (Oct. 25, 2006); Comments of Time Warner Cable at 4-13 (Oct. 25, 2006); Comments of the Ad Hoc Telecommunications Users Committee (Oct. 25, 2006); Comments of Broadview Networks, Grande Communications, NuVox Communications, One Communications Corp., Talk America, Inc., and XO Communications (Oct. 25, 2006).

[3] *See, e.g.*, Comments of the National Association of State Utility Consumer Advocates (Oct. 25, 2006); Comments of the Public Utility Commission of Texas (Oct. 26, 2006); Comments of the New York State Department of Public Service at 2 (Oct. 25, 2006); Comments of the Public Utilities Commission of Ohio (Oct. 25, 2006); Comments of the Connecticut Department of Public Utility Control (Oct. 24, 2006); Comments of the Virginia State Corporation Commission Staff (Oct. 25, 2006); Comments of the Massachusetts Department of Telecommunications and Energy (Oct. 25, 2006); Comments of the Illinois Commerce Commission (Oct. 25, 2006); Comments of the Public Service Commission of the State of Missouri at 2 (Oct. 25, 2006); Comments of the New Jersey Board of Public Utilities (Oct. 25, 2006); Comments of the Delaware Public Service Commission (Oct. 25, 2006); Comments of the Public Service Commission of the District of Columbia (Oct. 25, 2006). *See also* Comments of the Office of Advocacy, U.S. Small Business Administration (Oct. 25, 2006) (discussing negative effects of the Missoula Plan on small businesses).

a much narrower group supports the Plan, comprised of, in large part, two of the biggest LECs (which have now merged) and rural carriers which stand to gain from the proposed intercarrier compensation charges.[4] Rather than being tied down by relics of the past, the Commission should look to the future and adopt a forward-thinking intercarrier compensation regime. Such a scheme would eliminate the above-cost access charge regime and be suited for next-generation IP-based technologies.

Effective reform of intercarrier compensation would promote competition in telecommunications offerings and preserve the rapid innovations in Internet protocol and VoIP technologies. To achieve these objectives, the Commission should replace the existing intercarrier compensation regime with a bill-and-keep approach.[5] Ultimately, any intercarrier compensation approach that relies on a calling-party-network-pays ("CPNP") approach — even one which eliminates obsolete distinctions between "local" and "long distance" calls — will necessarily require regulators to determine the costs associated with terminating traffic. Not only are such cost determinations extremely difficult — requiring highly regulatory and resource-intensive inquiries by federal and state regulators — but any cost determination that fails to estimate costs accurately will lack transparency and result in marketplace distortion. Moreover, the move to VoIP

[4] The Missoula Plan is supported by the recently merged AT&T, BellSouth, and Cingular Wireless, as well as Global Crossing, Level 3 Communications, and a number of rural carriers.

[5] Numerous important stakeholders have expressed support for a bill-and-keep approach. *See, e.g.*, CTIA Comments at 17; Qwest Comments at 2; Sprint Nextel Comments at 8-9; T-Mobile Comments at 4; USCC Comments at 6.

services and the mobility of VoIP users — in conjunction with the FCC's recognition that VoIP communications "cannot be separated into interstate and intrastate communications"[6] — make it very difficult, if not impossible, for VoIP providers to track intrastate vs. interstate jurisdiction of calls. Thus, the traditional intercarrier compensation regime — based upon originating and terminating call locations — is becoming increasingly meaningless in an IP-based world.[7]

Thus, the Commission should adopt a far more deregulatory — and ultimately more transparent and competition-friendly — bill-and-keep approach. A bill-and-keep approach recognizes that both the calling and the called parties benefit from communicating with each other. More importantly, a bill-and-keep approach would require less regulatory oversight — thereby lowering administrative costs — and would better provide carriers with incentives to deploy efficient technologies.[8] By requiring each service provider to recover its

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[6] *Vonage Holdings Corp. Petition for Declaratory Ruling Concerning an Order of the Minnesota Public Utilities Commission*, Mem. Op. & Order, 19 FCC Rcd 22404, at ¶ 1 (2004) ("*Vonage Order*"), *appeal pending*, *Minnesota Pub. Utils. Comm'n v. FCC* (Case No. 05-1069) (8th Cir.).

[7] ITI opposes artificial attempts to classify VoIP traffic for jurisdictional purposes, including arbitrary jurisdictional allocations such as the assumption in the recent USF Order that 64.9 percent of interconnected VoIP traffic is interstate. *Universal Service Contribution Methodology*, Report and Order and Notice of Proposed Rulemaking, WC Docket No. 06-122, FCC 06-94, para. 53 (rel. June 27, 2006) ("*VoIP USF Order*"). The assumption that 64.9 percent of VoIP traffic is interstate is arbitrary because, as discussed herein, VoIP providers cannot determine the "end points" of calls due to the nomadic nature of their users. Similarly, any attempt by the Commission to impose an artificial jurisdictional allocation of VoIP traffic in the intercarrier compensation context would be arbitrary and unsupported by record evidence.

[8] Jonathan E. Nuechterlein & Philip J. Weiser, Digital Crossroads: American Telecommunications Policy in the Internet Age, 319-22 (2005); *Developing a Unified*

costs from its own end users (and in some instances from the Universal Service Fund) rather than from competitors, a bill-and-keep approach also would ensure that new charges imposed by existing carriers do not prevent new, competing service providers from delivering innovative services.

While the current payment scheme for terminating traffic originated by other carriers does not provide sufficient incentives for carriers to reduce their own costs associated with the transport and termination of such traffic, a bill-and-keep approach would provide carriers with such incentives — thereby promoting the deployment of more efficient and innovative technologies. The incentive to lower costs would, of course, grow as the market becomes more competitive, ultimately requiring little to no regulatory oversight. Indeed, consumers would be the ultimate beneficiaries of the lower costs and new and advanced services associated with innovative, efficient technologies.

ITI recognizes the challenges posed by transitioning from the current intercarrier compensation regime (based on the CPNP principle and increasingly outdated regulatory distinctions) to a bill-and-keep approach. We also recognize that some carriers and state commissions believe that a bill-and-keep approach would adversely affect rural consumers. However, ITI believes that the numerous benefits associated with a bill-and-keep approach outweigh any potential negative effect on the Commission's policy goals. Universal service

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Intercarrier Compensation Regime, Further Notice of Proposed Rulemaking, CC Docket No. 01-92, FCC 05-33, 20 FCC Rcd 4685, 4781-93 (2005) ("*Intercarrier Compensation FNPRM*").

funding, for example, is better achieved through explicit subsidies rather than arcane regulatory schemes that disguise their intended effect and create opportunities for marketplace distortions and inefficiencies. Furthermore, ensuring that all citizens are connected to the telecommunications network is vitally important to ITI's members and ITI believes that a bill-and-keep approach coupled with explicit Universal Service funding will achieve connectivity for all citizens and importantly rural citizens.

II. THE COMMISSION SHOULD MAINTAIN THE REGULATORY TREATMENT OF ENHANCED SERVICE PROVIDERS

As the Commission proceeds with intercarrier compensation reform, it should be careful not to jeopardize existing FCC policies that have fueled new, innovative Internet offerings. Specifically, ITI urges the Commission to oppose any repeal or modification of the Enhanced Service Provider ("ESP") access charge exemption as it applies to enhanced and information services including interconnected VoIP services. This has been one of the key FCC policies responsible for the growth and the vibrancy of the Internet since 1983.[9] The Commission has examined the ESP exemption numerous times and has wisely chosen to retain the exemption.[10]

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[9] *MTS and WATS Market Structure*, CC Docket No. 78-72 Phase I, Memorandum Opinion and Order, 97 FCC 2d 682, 715, para. 83 (1983) ("*MTS/WATS Market Structure*").

[10] *See, e.g.*, *Amendments of Part 69 of the Commission's Rules Relating to Enhanced Service Providers*, CC Docket No. 87-215, Order, 3 FCC Rcd 2631, 2633, para. 17 (1988); *Access Charge Reform*, CC Docket Nos. 96-262, 94-1, 91-213, 95-72, First Report and Order, 12 FCC Rcd 15982, 16133, para. 344 (1997); *Implementation of the Local Competition Provisions in the Telecommunications Act of 1996; Intercarrier Compensation for ISP-Bound Traffic*, CC

Eliminating the ESP access charge exemption now for enhanced and information services, including interconnected VoIP services, would require providers of such services to conform to the FCC's arcane intercarrier compensation regime, and would regulate previously unregulated companies, many of which lack the regulatory compliance resources typically possessed by carriers. Thus, the Commission should not endanger the ESP exemption, or eliminate or repeal this regulatory classification for interconnected VoIP services and other enhanced or information services. Doing so could have the unintended effect of harming the market for enhanced and information services, and thereby risks hurting consumer access to one of the most important segments of the nation's economy as well as challenging our nation's global competitiveness in the information technology sector. Ultimately, adopting a bill-and-keep approach would affirm the appropriateness of the ESP exemption because each service provider would recover its costs from its own end user rather than from other service providers.

III. THE COMMISSION SHOULD NOT IMPOSE INTERCARRIER COMPENSATION POLICIES PROPOSED IN THE MISSOULA PLAN ON NEW TECHNOLOGIES SUCH AS VOIP

To continue to promote the rapid evolution of new technologies, such as VoIP, the FCC should aggressively reform intercarrier compensation, including

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Docket Nos. 96-98, 99-68, Order on Remand and Report and Order, 16 FCC Rcd 9151, 9158, para. 11 (2001). Note that under the ESP exemption, ISPs still pay for traffic sent to and from LEC networks, but are charged as end users eligible for local business rates to connect to LEC central offices. *Intercarrier Compensation FNPRM* at 4689, para. 7.

moving to a bill-and-keep approach. If the Commission does not adopt a bill-and-keep approach or does not exclude VoIP as a whole from any new intercarrier compensation regime, it should, at a minimum, limit its intercarrier compensation policies to a very finite and small subset of VoIP technologies.

As the Commission has addressed the question of how to apply certain existing regulations to innovative VoIP services, it has wisely limited the applicability of such regulations to "interconnected VoIP" services in order to capture only those VoIP offerings that that replace traditional wireline voice communications and which have a greater nexus with the PSTN.[11] It is crucial that the Commission maintain the distinction between "interconnected VoIP" and "non-interconnected" VoIP services.[12]

The Commission's definition of "interconnected VoIP" service correctly only applies to those VoIP services that substitute for traditional telephone

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[11] *See E911 Requirements for IP-Enabled Service Providers*, WC Docket No. 05-196, First Report and Order and Notice of Proposed Rulemaking, 20 FCC Rcd 10245, 10257-58, para. 24 (2005) (limiting applicability of E911 rules to VoIP services that allow customers to originate calls to and receive calls from the PSTN); *Communications Assistance for Law Enforcement Act and Broadband Access and Services*, ET Docket No. 04-295, RM-10865, First Report and Order and Further Notice of Proposed Rulemaking, 20 FCC Rcd 14989, 14991-92, para. 8 (2005); *VoIP USF Order*, para. 34.

[12] An interconnected VoIP service is:

> [A] service that: (1) enables real-time, two-way voice communications; (2) requires a broadband connection from the user's location; (3) requires Internet protocol-compatible customer premises equipment (CPE); and (4) permits users generally to receive calls that originate on the public switched telephone network **and** to terminate calls to the public switched telephone network.

47 C.F.R. § 9.3 (emphasis added).

services — *i.e.,* services offering users the capability to make **and** receive calls to the PSTN. The definition of "interconnected VoIP" distinguishes such substitute telephone services from other innovative non-interconnected or one-way PSTN interconnected services which should remain beyond the scope of traditional intercarrier compensation rules. Applying legacy intercarrier compensation charges to non-interconnected or one-way PSTN interconnected VoIP services — many of which are offered to customers free of charge — reduces their viability in the market. The same logic applies to information services which may access the Internet in some fashion. Providers of such services have come to rely on the Commission's definition of "interconnected VoIP," and any application of intercarrier compensation rules to VoIP services should solely be limited to "interconnected VoIP" and not other information services.

IV. A REFORMED INTERCARRIER COMPENSATION REGIME SHOULD NOT DISCRIMINATE AGAINST NEW TECHNOLOGIES SUCH AS VOIP

As the Commission has recognized, the existing rules governing reciprocal compensation and access charges are based on artificial and obsolete regulatory classifications that are increasingly meaningless in today's rapidly-changing telecommunications marketplace.[13] As a result, the current intercarrier compensation scheme creates "incentives for inefficient investment and

[13] *Intercarrier Compensation FNPRM* at 4687, para. 3.

deployment decisions."[14] For example, the Plan similarly discriminates in favor of existing carriers over newer technologies because it does not require carriers to pay VoIP providers when terminating calls on VoIP providers' networks.[15]

As a representative of the high tech industry, ITI is concerned about ensuring that there is meaningful reform which promotes the continued evolution of new and innovative technologies and services such as VoIP and increased deployment of broadband technologies. ITI therefore strongly supports efforts to reform the current intercarrier compensation scheme, and replace it with a new approach that reflects the evolving marketplace and new technologies. Most importantly, reform must be "competitively and technologically neutral."[16] This injunction must mean that the FCC cannot separate out one category of traffic, such as IP-PSTN traffic, for discriminatory termination charges that are not cost-based.[17]

As the Commission addresses intercarrier compensation reform, it should

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[14] *Id*.

[15] As discussed in greater detail above, ITI believes that a bill-and-keep approach should replace the existing intercarrier compensation scheme, but points out here the discrimination between carriers and VoIP providers within the Plan.

[16] *Intercarrier Compensation FNPRM* at 4702, para. 33.

[17] In particular, ITIC objects to any interim rate structures that raise the costs of IP-PSTN termination, even if those rate structures are limited to a two year period, as suggested by many supporters of the Missoula plan. *See Process for Identification of VoIP-Originated Traffic*, App. B to *Industry Standards for the Creation and Exchange of Call Information*, *Ex Parte* filing by the Supporters of the Missoula Plan, CC Docket No. 01-92 (Nov. 6, 2006) (proposing interim rate structures that would apply for the first two Steps of the Missoula Plan). Instead of unifying rates at above-cost interstate access levels, the Commission should push toward cost-based termination rates and replace whatever foregone support is necessary with an explicit and portable funding mechanism directed toward high-cost areas.

ensure that, to the extent "interconnected VoIP" services are subject to the Commission's rules, such services are treated in a competitively neutral manner. Failure to do so implicitly encourages a regulatory arbitrage situation similar to that which plagues the current intercarrier compensation regime. For example, if the Commission decides to impose interim intercarrier compensation on "interconnected VoIP" services, it should ensure that any interim rate applied to such traffic is no higher than that applied to comparable traffic (*e.g.*, wireless/CMRS).[18] An important principle of intercarrier compensation reform is that identical uses of the network should be treated identically, thereby reducing distortions in the marketplace and promoting healthy competition between services which inures to the benefit of consumers.[19]

Similarly, if the Commission does not adopt a bill-and-keep regime but instead requires providers of "interconnected VoIP" services to pay access or other charges as part of intercarrier compensation reform, such charges also should be applied to any carrier which terminates calls on the VoIP providers' networks. This concept of non-discrimination among carriers for exchange of traffic is required by Section 251 of the Communications Act and should be followed by the Commission in any reform of the existing intercarrier compensation regime.[20] For example, if an interconnected VoIP service provider

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[18] *See VoIP USF Order*, paras. 53-55 (imposing higher interim rate on VoIP traffic).
[19] *Intercarrier Compensation FNPRM* at 4693-94, para. 15.
[20] Section 251(c)(2)(d) provides:

> The duty to provide, for the facilities and equipment of any requesting

is required to pay access charges and/or reciprocal compensation for traffic that it sends to another carriers' network, it also should receive payments for terminating calls received from other carriers' networks (whether wireline, wireless, satellite, etc.).[21]

V. THE DETAILS OF REFORM EFFORTS MUST BE COMPETITIVELY AND TECHNOLOGICALLY NEUTRAL

IP networks and the gateways that enable the compatibility between broadband communications and the PSTN are critical links for empowering consumers and reducing the inflated cost of calling devices on the PSTN. Messages that traverse these gateways have offered consumers low-cost and even free PSTN calling. To ensure those consumer benefits remain in the market, the Commission should avoid rules that create new obligations to generate call identifying information where such information does not exist due to technical parameters. For example, many technologies permit interoperability with the PSTN through an IP/SIP/SS7 translation; but that translation does not require the use of a telephone number. Rules requiring providers to pass telephone number information when it does not exist are technically infeasible

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> telecommunications carrier, interconnection with the local exchange carrier's network –
> (D) on rates, terms, and conditions that are just, reasonable, and ***nondiscriminatory*** . . . .

47 U.S.C. § 251(c)(2)(D) (emphasis added).

[21] To be clear, such reciprocal treatment is only requested for providers of "interconnected VoIP" services. Non-interconnected VoIP providers should not be subject to any intercarrier compensation regime, including access charges, reciprocal compensation, or other similar charges.

and therefore should be resisted.

In this context, the Commission must never permit terminating PSTN carriers to resort to self-help in enforcing the FCC's existing "call identifying" rules. This danger is real, as some carriers have suggested they have the right to block "improperly labeled traffic." Of course, handing the Commission's pen to carriers to re-write the intercarrier compensation rules is not a reasonable approach to intercarrier compensation reform. The Commission must make clear that it will not tolerate or permit blocking of calls under any circumstance.

VI. THE COMMISSION SHOULD REJECT PIECEMEAL REFORM EFFORTS THAT UNDERMINE COMPREHENSIVE INTERCARRIER COMPENSATION REFORM

ITI recognizes that intercarrier compensation reform is a complicated task, and supports the Commission's view that such reform should be comprehensive in nature.[22] As the Commission is aware, the existing intercarrier compensation regime is a patchwork of policies and rules that reflect obsolete regulatory distinctions that have no basis in existing technologies or marketplace conditions. The existing system cannot be reformed in a piecemeal manner, as various aspects of the existing regime are inextricably intertwined. Thus, any attempt to reform a portion of the current regime in a less-than-comprehensive fashion is destined to be fruitless, as such piecemeal reform will have undesirable ripple effects that are likely to cause competitive inequalities and further opportunities

[22] *Intercarrier Compensation FNPRM* at 4687, para. 3.

for regulatory arbitrage.

For this reason, the Commission should not adopt the interim phantom traffic plan, as proposed by supporters of the Missoula Plan, and should instead proceed with the comprehensive bill-and-keep reform approach discussed above. Proponents of the Missoula Plan have proposed an "interim" process that purports to address a phantom traffic problem. However, as other parties have stated, the concern raised by Missoula Plan proponents regarding the identification of VoIP traffic cannot be solved by the adoption of the Plan's interim process, but rather by the enforcement of the Commission's existing rules.[23] In addition, some carriers' access tariffs — enforceable at the FCC or state level — may already require providers to identify traffic that terminates on the carriers' networks.

ITI shares the VON Coalition's concern that "reform efforts will be delayed and ultimately may fail if the Commission adopts interim decisions that negatively affect one segment of the industry without appropriate consideration of the impact on all segments."[24] A piecemeal reform effort also may lock the Commission into a particular approach, and keep it from adopting a better solution that may become apparent as part of the broader reform effort. Alternatively, if the Commission adopts an interim plan, affected parties may

[23] *See* Comments of Verizon at 3-9 (Dec. 7, 2006); Comments of Verizon Wireless at 2 (Dec. 7, 2006); Comments of The VON Coalition at 5-8 (Dec. 7, 2006) ("VON Coalition Comments").

[24] VON Coalition Comments at 10; *see also* Comments of Qwest Communications International, Inc. at 2 (Dec. 7, 2006) (noting that adopting the interim phantom traffic proposal would "pre-judge" issues relating to the broader Missoula Plan).

face increased compliance costs, as they would need to develop mechanisms to work with the interim rules, and then later revamp these mechanisms if the Commission were to adopt more comprehensive reforms.

For example, the interim proposal for addressing phantom traffic proposed by supporters of the Missoula Plan is rooted in the existing CPNP-based intercarrier compensation regime, and would require providers to incur significant compliance costs. Such expenditures would be wasted if the Commission later were to eliminate the obsolete regulatory classifications of the current intercarrier compensation regime and/or replace the current regime with a different approach altogether, such as bill-and-keep.

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ITI supports comprehensive intercarrier compensation reform. While ITI appreciates the hard work of the Missoula Plan supporters, ITI believes that the proposed Plan is too rooted in the existing, outmoded carrier regulatory structure and needs to more aggressively address the underlying issues. It therefore does not sufficiently move the industry toward comprehensive reform that reflects technological changes of today's (and tomorrow's) communications marketplace.

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